

FOOD FAIR

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FOOD FAIR

1943 Annual Report

FOOD FAIR STORES, INC.

A Pennsylvania Corporation

1943
Corp. File

For Fiscal Year
Ended January 1, 1944



LOCATION OF FOOD FAIR MARKETS and WAREHOUSES ...

Operated by FOOD FAIR STORES, INC.



NUMBER OF STORES IN EACH CITY IS INDICATED AFTER EACH LOCATION
TOTAL NUMBER OF STORES 72.

1943

ANNUAL REPORT

FOOD FAIR STORES, INC.

A Pennsylvania Corporation

For Fiscal Year Ended

JANUARY 1, 1944

FOOD FAIR STORES, INC.

Officers

Samuel Friedland	Chairman of the Board
George Friedland	President
Hess Kline	Vice-President and Treasurer
Myer B. Marcus	Vice-President
Arthur Rosenberg	Vice-President
Louis Stein	Vice-President and General Counsel
Benjamin G. Kline	Vice-President
Myer M. Gordon	Secretary

Directors

George Friedland	Philadelphia, Pa.
Samuel Friedland	Philadelphia, Pa.
Myer M. Gordon	Philadelphia, Pa.
Hess Kline	Philadelphia, Pa.
James P. Magill	Philadelphia, Pa.
Myer B. Marcus	Philadelphia, Pa.
Arthur Rosenberg	Philadelphia, Pa.
Harold W. Scott	Philadelphia, Pa.
Louis Stein	Union City, N. J.

TRANSFER AGENT

Registrar & Transfer Company
2 Rector St., New York, N. Y.
15 Exchange Place, Jersey City, N. J.

REGISTRAR

Bank of the Manhattan Co.
40 Wall St., New York, N. Y.

The Common Stock Is Fully Listed on the New York Stock Exchange

Philadelphia, Pa.

March 31, 1944.

TO THE STOCKHOLDERS OF FOOD FAIR STORES, INC.:

This report covers your Company's last fiscal year, which began December 28, 1942, and ended January 1, 1944.

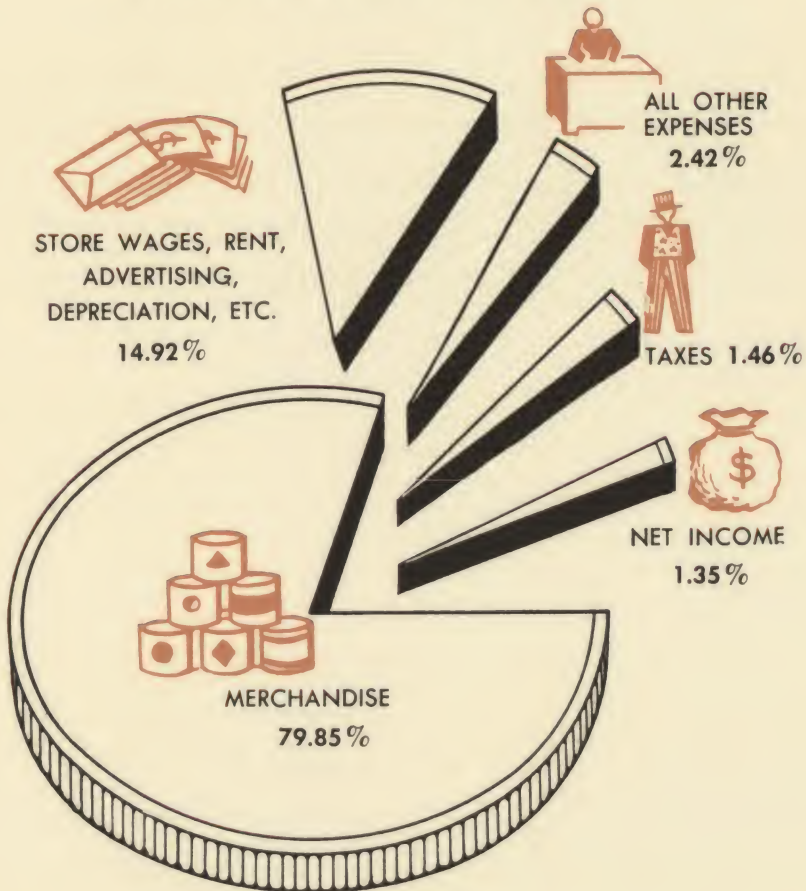
The financial condition of the Company as at January 1, 1944, and the operations of the Company for the fifty-three week period ended on said date are reflected in the accompanying balance sheet and income account reported upon by Messrs. Lybrand, Ross Bros. & Montgomery, certified public accountants.

In our business, as in others, it was a year of violent change. New problems arose making new and sometimes novel solutions imperative. Sacrifices were necessary all along the line and they were cheerfully made.

The problems incident to a war economy became more acute and more numerous during the year and your management has made every effort to cope with them as successfully as possible. Considerable difficulty was encountered in obtaining an adequate meat supply for the meat departments in our markets and, in August, 1943, your Company leased a meat packing plant in South St. Paul, Minnesota, which we have operated since that time. This plant has, to a considerable extent, improved the supply of beef to our markets.



WHERE THE FOOD FAIR INCOME DOLLAR GOES



The business has necessarily felt the impact of such things as rationing, ceiling prices, marked decrease in available personnel, coupled with a considerable increase in personnel turn-over, severe restrictions on expansion activities. All of these difficulties we accept willingly, and resolve to find sound and ingenious ways to overcome them and to contribute our maximum efforts in this national emergency.

Sales for year 1943 amounted to \$42,188,894.48 as compared with \$41,746,124.02 for the year 1942. The net income for 1943, after all taxes, was \$572,287.30, whereas the corresponding figure for 1942 was \$646,226.52.

DIVIDENDS

The Company continued its policy during 1943 of paying dividends of \$1.00 per share on its Common Stock at the rate of 25c per share for each quarter. Regular quarterly dividends aggregating \$2.50 per share were paid on the \$2.50 Cumulative Preferred Stock.

CAPITAL AND CORPORATE STRUCTURE

There are outstanding 332,129 shares of the Company's Common Stock. Prior to March 12, 1943, as reported in the Annual Report for 1942, 2360 shares of the \$2.50 Cumulative Preferred Stock had been retired pursuant to the Purchase Fund provided for that purpose and 1020 additional shares were in the Company's treasury, leaving 51,620 shares in the hands of the public. As of March 13, 1944, however, the total number of shares



GROWTH OF SALES

1937



\$13,760,890

1938



\$18,283,068

1939



\$24,498,783

1940



\$29,200,548

1941



\$34,094,701

1942



\$41,746,124

1943



\$42,188,894

Each symbol represents \$5,000,000 of sales

of Preferred Stock held by the public was 50,415 shares, 4,570 shares having been retired and 15 shares being held as treasury stock.

On December 10, 1943, your Board of Directors decided that it would further the interests of the Company to increase the Company's authorized indebtedness to \$5,000,000 and it therefore called a special meeting of the Company's stockholders which was held on February 18, 1944, to consider this question. The stockholders voted in favor of said increase in indebtedness and authorized the Board to issue evidences of indebtedness up to the said principal amount of \$5,000,000 in such manner and upon such terms as it may from time to time determine. Acting upon such authorization, your Company issued a series of \$3,500,000 in principal amount of 3 1/2 % Fifteen Year Sinking Fund Debentures and sold same on March 1, 1944, to a group of underwriters headed by Eastman, Dillon & Co. The underwriters paid \$3,482,500 (99 1/2 % per unit) for the debentures and offered them to the public for \$3,570,000, exclusive of interest, (102 1/4 % per unit). The net proceeds to the Company were used as follows:

a) Payment of bank loans and estimated expenses of issue of \$32,510.50	\$3,197,998.00
b) Increase of working capital	284,502.00
Total	<u>\$3,482,500.00</u>

The management believes that this financing was desirable since it permits the amortization of the loan over a fifteen year period and obviates the necessity, to the extent of said loan, of relying on bank loans.



WORKING CAPITAL AND NET WORTH



WORKING CAPITAL

NET WORTH

1939



\$1,399,224



\$3,328,965

1940



\$2,653,030



\$5,021,255

1941



\$3,241,780



\$5,260,593

1942



\$4,315,180



\$5,406,527

1943



\$4,199,190



\$5,444,147

Each symbol represents \$1,000,000

As reported in the last Annual Report, all operations since the beginning of 1943 have been conducted by the Company itself and not through subsidiaries. The management believes that various advantages believed to be attendant upon the simplified corporate structure have actually materialized.

PENSION PLAN

The Company has continued its Incentive Bonus and Retirement Plan. During the year 1943 the sum of \$68,246.75 was contributed to the Plan, which, as of the end of 1943, covered seventy-two employees.

MANAGEMENT AND PERSONNEL

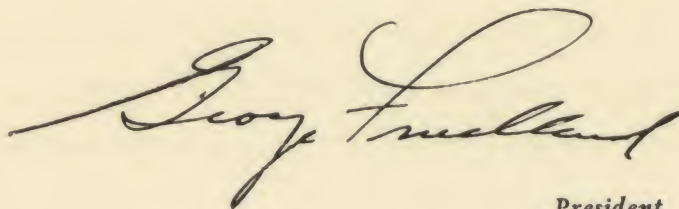
The Company's officers remain the same and there has been only one change in the membership of the Board of Directors.

As in previous years, your management and the Company's employees have maintained an amicable relationship. Various union agreements have been renewed and others are in the process of being renewed. In some instances, particularly because of the statutes and regulations covering wage stabilization, the War Labor Board has passed, or will pass upon provisions of proposed union agreements. Your management believes, however, that all differences will be adjusted to the satisfaction of both the Company and the affected employees.

Restrictions imposed by many governmental agencies have resulted in numerous additional burdens and responsibilities and the rate of labor

turnover, because of the war effort has become increasingly high. Consequently, the number of our female employees has continued to rise. Your management is confident that despite the various dislocations concomitant with the War, it will be able to cope with them as they arise.

Your officers and the members of your Board of Directors want to take this opportunity publicly to express our appreciation to our employees for the loyal and conscientious way in which they have cooperated with the Company in meeting the problems and difficulties encountered during the year.

A handwritten signature in cursive script, reading "George Trullinger". The signature is written in dark ink and is positioned above the printed name.

President

Lybrand, Ross Bros. & Montgomery

CERTIFIED PUBLIC ACCOUNTANTS

NEW YORK
PHILADELPHIA
CHICAGO
BOSTON
BALTIMORE
WASHINGTON
PITTSBURGH

DETROIT
CLEVELAND
CINCINNATI
ROCKFORD
LOUISVILLE
ST. LOUIS
ATLANTA

DALLAS
HOUSTON
SAN FRANCISCO
LOS ANGELES
SEATTLE
LONDON

Food Fair Stores, Inc.,
Philadelphia.

We have examined the balance sheet of

FOOD FAIR STORES, INC.

as of January 1, 1944, and the statements of income and surplus for the year (53 weeks) then ended, have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of income and surplus present fairly the position of the company at January 1, 1944, and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Lybrand, Ross Bros. & Montgomery

Philadelphia, Penna.,
March 13, 1944.

FOOD FAIR

Balance Sheet

ASSETS

Current:

Cash on hand and demand deposits			\$1,116,622.46
Obligations of the United States, at cost			65,500.00
Accounts receivable:			
Trade	\$153,286.53		
Employees	1,092.40		
Miscellaneous	6,085.53		
			<hr/>
			160,464.46
Inventories, at cost or market, whichever lower:			
Merchandise in warehouses	3,933,714.47		
Merchandise in stores	1,492,877.38		
Merchandise in transit	119,984.37		
Store supplies	49,533.52		
			<hr/>
			5,596,109.74
Notes receivable and advances, truckers			39,967.41
United States War Savings Bonds held for sale to employees			5,362.50
			<hr/>
Total current assets			\$6,984,026.57
Net refund claim from "carry-back" of unused excess profits tax credit			74,000.00
Due from U. S. Government, post-war refund of excess profits tax			4,451.04
Other investments, at cost:			
Mortgages	16,845.87		
Stocks	90.00		
			<hr/>
			16,935.87
Fixed assets, at cost:			
Land		504,225.35	
Buildings	\$1,554,765.21		
Improvements to leased buildings	432,014.01		
Fixtures and equipment	1,309,930.68		
Automobiles and trucks	6,683.90		
			<hr/>
			3,303,393.80
Less allowances for depreciation and amortization	1,353,876.80	1,949,517.00	
			<hr/>
			2,453,742.35
Prepaid and deferred accounts			184,150.88
Deposits with landlords, public utilities, etc.			23,613.00
Special deposit, fire loss replacement fund			24,830.86
Cash surrender value of insurance on officer			28,997.13
Goodwill			211,335.41
			<hr/>
			<u>\$10,006,083.11</u>

NOTE 1. Purchase warrants, attached to preferred stock when sold, are outstanding to purchase before December 31, 1947, 50,430 shares of common stock at \$19.50 per share until December 31, 1945, and at \$25 per share thereafter.

STORES, INC.

January 1, 1944

LIABILITIES

Current:

Notes payable, banks, due within one year		\$1,600,000.00
Accounts payable, trade, etc.		684,147.27
Mortgage installments due within one year		41,150.00
Accrued liabilities:		
Salaries and wages	\$40,911.73	
Taxes, other than income taxes	108,872.28	
Federal and State income taxes for 1943, estimated	\$360,000.00	
Less United States Treasury Tax Anticipation Notes	63,000.00	297,000.00
		<hr/>
Interest	5,771.02	
		452,555.03
Employees' deposits for United States War Savings Bonds		6,984.17
		<hr/>
Total current liabilities		\$2,784,836.47
Mortgages due subsequent to December 31, 1944 (not assumed)	227,100.00	
Notes payable, bank, due subsequent to December 31, 1944	1,550,000.00	
		<hr/>
		1,777,100.00
		<hr/>
		\$4,561,936.47

CAPITAL

Capital stock:

Cumulative preferred, par \$15, authorized 200,000 shares (specific preferences determinable upon ap- provals of issues) of which 55,000 shares were is- sued; outstanding 50,430 shares; dividend \$2.50 annually; redeemable at \$53 per share; entitled in involuntary liquidation to \$50 per share	756,450.00	
Common, par \$1, authorized 750,000 shares; issued 332,129 shares, see Note 1	332,129.00	
Surplus, as annexed:		
Capital surplus	2,908,051.63	
Earned surplus:		
Appropriated for retirement of preferred stock	\$153,308.34	
Unappropriated	1,294,207.67	1,447,516.01
		<hr/>
		5,444,146.64
		<hr/>
		\$10,006,083.11

NOTE 2. On March 1, 1944, the company sold \$3,500,000 fifteen-year 3½% Sinking Fund Debentures. The proceeds, \$3,482,500, were used to retire notes payable due banks aggregating \$3,165,487.50, including prepayment premium, and the balance, \$284,502, after allowing for estimated expenses of \$32,510.50, was applied to the increase of working capital. The first sinking fund payment for retirement of debentures will be due December 15, 1944, in the amount of \$76,500.

STATEMENT OF CAPITAL SURPLUS

for the year (53 weeks) ended January 1, 1944

Capital surplus, December 26, 1942	\$2,967,719.51
Less excess of cost of 2,210 shares of cumulative preferred stock redeemed over par value	59,667.88
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Capital surplus, January 1, 1944	\$2,908,051.63
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STATEMENT OF EARNED SURPLUS

for the year (53 weeks) ended January 1, 1944

Earned surplus, December 26, 1942	\$1,335,651.02
Net income for the year ended January 1, 1944, as annexed	572,287.30
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Dividends paid in cash:	\$1,907,938.32
Common stock, \$1 per share	\$332,129.00
Cumulative preferred stock, \$2.50 per share	128,293.31
	<hr/>
	460,422.31
	<hr/>
Earned surplus, January 1, 1944:	
Appropriated for retirement of preferred stock	153,308.34
Unappropriated	1,294,207.67
	<hr/>
	\$1,447,516.01
	<hr/> <hr/>

STATEMENT OF INCOME

for the year (53 weeks) ended January 1, 1944

Sales			\$42,188,894.48
Purchases		\$34,012,064.06	
Add inventory December 26, 1942		5,022,040.74	
		39,034,104.80	
Deduct inventory January 1, 1944		5,426,591.85	
		33,607,512.95	
			8,581,381.53
Operating expenses:			
Maintenance and repairs		241,016.53	
Depreciation of equipment and build- ings and amortization		258,417.39	
Taxes, other than taxes on income		320,847.47	
Rents		350,776.35	
Store wages, operating, general and administrative expenses		6,531,886.53	
		7,702,944.27	
			878,437.26
Other income:			
Interest		6,821.80	
Rents received		56,410.34	
Miscellaneous		34.43	
		63,266.57	
Income before interest and taxes on income			\$941,703.83
Interest paid			74,416.53
Income before taxes on income			\$867,287.30
Federal and State income taxes for 1943, estimated			360,000.00
			507,287.30
Net refund claim from "carry-back" of unused excess profits credit		74,000.00	
Reduction in post-war refund credit		9,000.00	
		83,000.00	
Net income transferred to surplus			\$572,287.30

NOTE: In accordance with the terms of the issuance of the cumulative preferred stock, \$43,147.16 of the foregoing net earnings was set aside during the year 1943, for the purchase and retirement of such stock.



OOD FAIR STORES, INC.

**controls over 150 brands in
various food classifications;
a few are illustrated on the
opposite page**



FOOD FAIR
FOOD DEPARTMENT STORES

